

**State Employee Benefits Committee
Tatnall Building, Room 112
Dover, Delaware 19904**

The State Employee Benefits Committee met November 13, 2017. The following people were in attendance:

Committee Members:

Mike Jackson, Director, OMB, Chair
Victoria Brennan, Designee of CGO
Bethany Hall-Long, Lt. Governor
Sandy Johnson, Secretary DHR
Evelyn Nestlerode, Designee of Chief Justice, Administrator of Courts
Ken Simpler, State Treasurer
Trinidad Navarro, Insurance Commissioner
Jeff Taschner, DSEA
Kara Walker, DHSS

Guests:

Brenda Lakeman, Director, Statewide Benefits Office (SBO)
Faith Rentz, Deputy Director, SBO
Lisa Porter, SBO
Andrew Kerber, DOJ
Tom Brackin, DSTA
Rebecca Byrd, The Byrd Group
Lisa Carmean, City of Milford
Larry Gabbert, Pensioner
Leighann Hinkle, SBO

Guests (continued):

Regina Mitchell, OMB
William Oberle, DSTA
Paula Roy, DCSN
George Schreppler, DCSN
Christine Schultz, PGS
Ann Spano, PHRST
Jim Testerman, DSEA-R

Mike North, Aetna
Peg Eitl, Highmark
Lisa Mantegna, Highmark
Jennifer Mossman, Highmark
Pam Price, Highmark
Judy Grant, HMS
Walt Mateja, IBM/Truven Consulting
Steve Shelton, IBM Watson Health
Kevin Fyock, Willis Towers Watson
Chris Giovannello, Willis Towers Watson
Jaclyn Iglesias, Willis Towers Watson
Rebecca Warnken, Willis Towers Watson

Introductions/Sign In

Director Jackson called the meeting to order at 2:00 p.m. Introductions were made.

Approval of Minutes - handout

The Director entertained a motion to approve the minutes from the October 23rd SEBC meeting. Secretary Johnson made the motion and Secretary Walker seconded the motion. The motion carried.

Director's Report – Brenda Lakeman, Statewide Benefits Office (SBO)

Flexible Spending Account (FSA) Open Enrollment (November 1st through November 17th)

Current stats show 2,783 enrollments in the healthcare FSA, up 20% from same date last year and 395 dependent care enrollments, up 27% increase for a total enrollment of 2,876 individuals. For comparison, FSA enrollment ended last year at 5,596 for health care, 820 for dependent care, for a total enrollment of 5,848 individuals. SBO expects to reach same level during the last few days of this enrollment. An increase in FSA shows a more engaged workforce understanding the cost of health care and the benefits of using dollars on a pretax basis.

SBO has received updates from the IRS who will begin to send penalty letters for the employer share responsibility penalty based on 2015 to employers who did not offer their employees affordable and minimal value health care. The State is not at any risk for this 4980A penalty. However, the State may be at risk for the B penalty which is for casual seasonal employees who did work full time for a particular month yet were not offered insurance and went out to the marketplace for coverage and received a tax credit. SBO has notified all of the agencies and schools should they receive notification to make sure to forward to SBO as there is an appeals process if believed the employee wasn't full time or offered coverage. SBO will let the committee know if any are received and penalties occurred. Penalties will be paid by the organization and not by the Fund. This is the first year to receive this notification.

September 2017 Fund & Equity (F&E) Report - handout – Chris Giovannello, Willis Towers Watson

This report completes Q1 with minimal deviation from expected budget for September. The claims experience is \$8.8M under budget, leaving the year-to-date favorable at \$24.8M. WTW anticipates changes in the claims experience early in

2018 due to changes implemented July 1st and doesn't expect claims to continue under budget. The December meeting will include Q1 financial reporting with more detail on the favorable experience and expectations moving forward. The minimum reserve variance in the fund shows an excess of \$38M. Further conversation will occur at December's meeting on the claims experience for any consistency or spikes, whether the current trend is expected throughout the rest of the fiscal year and the utilization of any surplus. Timing and transition is reflected in the variance for Aetna claims and premiums.

Spousal Coordination of Benefits Policy – handouts – Brenda Lakeman, SBO

A recap of the purpose and intent of this policy was provided. CY2018 proposed changes include clarifications for situations that have been questioned and changes to prevalence in health care marketplace of certain plan designs. Examples for 50% contribution and 50% cash in lieu of benefits were reviewed. Policy clarifications and the additions were reviewed. An illustrated chart shows examples to help determine when a spouse should be enrolled in their own employer's plan along with separate scenarios for the four categories. This chart to be separated from the actual SCOB policy to allow SBO to amend as needed. Dialogue around this policy occurred and the tedious administration behind this policy. A code or legislative change would be required to entertain the possibility to charge a full rate for spouses to join the plan. WTW added the most prevalent way to handle a spouse joining the State's plan would be through a surcharge. A suggestion put forth to change the examples to be in align with the employee's contribution. SBO met with PHRST on edits to the online SCOB form and SBO will take on the reporting to evaluate it versus waiting on the vendors. The State covers about 23,000 spouses with over 50% as primary. August 2017 showed about \$5K a year differential between what is paid for primary and what is paid for secondary. A vote on these changes is intended at December's meeting with changes effective May 1, 2018.

FY19 Planning – handout – Willis Towers Watson Team

The long term projections with no program changes other than adding the Excise Tax Liability as an official line item was revisited. Projections with program changes show a 2% annual premium increase with an employee impact range from \$0.50 for the lowest plan up to \$5.50 for PPO Family Plan. Dialogue around the trend, surplus and cost bending initiatives followed. Ms. Warnken shared with changes already implemented along with new opportunities, this will bring the originally set national trend of 6% down to 5%. Opportunities for SEBC to consider for FY19 include Site-of-care steerage, Centers of Excellence and Active benefits enrollment.

Urgent care actual movement exceeded targeted (200 visits), with 569 fewer visits to emergency rooms. Increase in urgent care center utilization (6,193 more visits) may be partially due to some members receiving services versus their PCP. There was obvious steerage from ER to the Urgent care setting. Dr. Walker shared there are other policies to look at in the future to push members to reach out to their PCP by providing 24/7 phone visits, Telemedicine or other arrangements since some of the unintended and repeated unnecessary tests may be known to the PCP and not the Urgent care facility and Urgent care facilities are not required to send information to DHIN. The Lt. Governor added to also think of hours and services for preventative care along with all of the studies that have been done. Ms. Nestlerode requested the difference in costs for services from an Urgent care facility versus the PCP.

High tech imaging had movement that exceeded the target of 300 visits with 1,952 fewer visits to hospitals-based facilities. This spend decreased by \$3 million. Average combined costs for imaging visits decreased by \$62 per visit in total negotiated allowed cost and by \$53 per visit in net payments (after member copay). Actual change from FY16 to FY17 show 111 visits to freestanding facilities, which may reflect the need for authorization for High tech imaging or possibly less members requiring this service. WTW estimates three years to see variations in savings.

Imaging and outpatient lab services design alternatives was examined where WTW recommends preliminary Design 1 to be consistent with existing design for High tech imaging. Members who utilize the preferred site-of-care for imaging and lab services will not pay higher copays. Mr. Taschner requested if possible to get the lab data, what are the types of tests, how many exist in a year's period, what is the difference between a preferred lab and the others for the GHIP as this will allow SEBC to further estimate savings and drive members to the preferred lab, creating a change in behavior. Treasurer inquired if both savings to the member and GHIP are being captured. Estimated savings summaries were covered with best estimate and maximum opportunity.

Infusion therapy and the advantages to administer outside of hospitals were reviewed. Site-of-care steerage for this program through Aetna is currently in place and Highmark is building a similar program available FY19. High level potential annual claim savings were reviewed for FY18 and FY19.

Centers of Excellence was staged with an illustrative scenario on members impact and a chart for out-of-pocket costs for a member utilizing a non-COE at in network facilities based on today's plan design. Mr. Fyock shared the COE market is not yet built out in Delaware and recommends to continue monitoring. Mr. Taschner asked for a savings analysis through Bridge Health and Surgery Plus based on our volume and business design. Both carriers have approached WTW indicating their willingness to speak to our providers whether through a RFI or RFP. Mr. Fyock shared one provider in Delaware is now going to be a knee and hip COE under the Highmark network. There are COE's in nearby states where the utilization is close to zero. Dr. Walker added transparency is needed in a cost sharing approach and to provide transportation assistance if over certain mileage, would be interesting to see who enters this space and what the negotiated price would be, possibly creating competition. Mr. Fyock reiterated to get to the 40% savings of the total pie being either through a contracted rate or the improvement in quality of care. Ms. Nestlerod shared the Chief Justice's comments of being disappointed in not creating competition, just cost shifting and using the same hospitals and ignoring the evidence that this would create competition with this plan. Dr. Walker added in anticipation on the COE vote at a future meeting that a dialogue would be included for a strategy on the approach, whether through a RFI to include these principles and flexibilities. The potential phased-in-approaches were presented whether through a coinsurance or copay option. There are multiple inputs with the starting point to look at COE versus non-COE within our vendor contracts.

Active Enrollment and the budget epilogue language was reviewed. Currently there is no incentive for employees to actively engage in their benefit selections. An Active enrollment will encourage more employees to review the options available and make an optimal plan choice for their situation, driving further savings for the State while pushing engagement. SEBC to consider a vote in the near future to allow an Active enrollment for May 2018. Suggestions to get this message out to employees such as email, video, face to face, educational sessions and more was discussed.

Public Comments

None

Motions

None

Other Business

None

Director Jackson announced the next meeting is scheduled for Monday, December 11 and then requested a motion to adjourn the meeting. The Lt. Governor made the motion and Treasurer Simpler seconded the motion.

Meeting adjourned at 4:09 pm.

Respectfully submitted,

Lisa Porter
Executive Secretary
Statewide Benefits Office